

MEMORANDUM FOR: Acting Deputy Director (Support)

9 AUG 1963

SUBJECT : Current Interest Items

1. Early Retirement

Activity on our proposed early retirement legislation has been the reason for delay in our reporting of current interest items in recent weeks.

Hearings on the bill were held before Subcommittee No. 1 of the House Armed Services Committee on 23, 24, and 25 July and are scheduled to resume on 21 August. It is anticipated that they will be completed in one or two more sessions and that the bill will then be favorably reported to the full Committee and by the full Committee to the House.

After brief remarks to the Subcommittee in support of the general objectives of our proposed bill, Mr. McCone introduced General Carter as the General Manager of the Agency and principal witness to explain our proposals. Over the three days of hearings, several important changes were made and we have since revised the bill to incorporate other changes which we believe will meet objections encountered thus far. It is our hope that the remainder of the bill will be approved by the Subcommittee without significant modification, if any. The major changes are as follows:

a. Elimination of Title I of the original bill (HR 7216). Title I embraced miscellaneous provisions to update procurement authorities and various overseas benefits provisions. Of the latter, only one would have represented a change from current practice; this was a provision, similar to that now available to the Foreign Service, for overseas tours of 18 months or 3 years for home leave purposes. Our current authority, which will now remain in effect, provides for 2 year tours. Title I also provided two new authorities: one permitting the Agency to accept gifts and bequests and another extending reemployment rights to individuals who are in effect transferred to CIA from other agencies--AID has a comparable authority. Finally, Title I contained a provision related to our proposed retirement system which places disability annuities in a tax-exempt category. This provision has been retained as a separate Title in the redrafting of HR 7216.

b. HR 7216 has been redrafted as the Central Intelligence Agency Act of 1963. The provisions of the new bill are identical to the original version except that:

(1) In order to establish a point in time at which an employee can be certain of his retirement coverage ("early retirement" vs. civil service retirement), the bill now provides that an employee who is designated a participant in the system and whose career is considered to be qualifying when he completes 15 years of service will continue under the proposed system for the duration of his Agency employment.

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(2) A requirement of five years of Agency service was added to the voluntary retirement provision (age 50 with 20 years total service) to ensure against extending the benefits of the proposed system to individuals who had long periods of Government service but relatively short terms of Agency service.

(3) Again in an effort to avoid extending the benefits of the proposed system to individuals with limited qualifying service, the Subcommittee has recommended the imposition of more stringent service requirements in the application of the involuntary retirement provisions applicable to GS-14's and over. As originally drafted, this provision required only five years service for such an individual to be granted an immediate annuity. The bill now provides that he must have at least ten years' Agency service of which at least five years are "qualifying" service.

(4) The Subcommittee suggested that the language in the Foreign Service system which permits an unmarried person to designate any beneficiary he desires for a survivor annuity was too broad (notwithstanding the severe penalties imposed: immediate reduction of 10% in annuity plus an additional 5% for each five years that the survivor is younger than the retiree up to a maximum reduction of 40%). They favored the comparable provision in the Civil Service Retirement Act which requires that the survivor designated have an "insurable interest" in the employee. The Civil Service language has been incorporated in the revised bill.

(5) As a result of a suggestion originating from the Subcommittee staff, we have considered the desirability of including a provision to preclude external appeals of the determinations made by the Director under the proposed system and have included in the revised draft a provision citing security considerations as the basis for prohibiting such appeals. Although this provision has not been reviewed with the Subcommittee, we believe it will be accepted.

Our review of the bill with Subcommittee No. 1 has proceeded to section 232, Death in Service. The two points remaining which may call for special discussion (as suggested in Mr. Rivers' opening statement) are the credit of military service and the cost of the proposed system.

We also attended with Mr. Houston, who appeared as the Agency's representative, a hearing in executive session with the Ways and Means Committee on 29 July in connection with the provision for exempting disability annuities from gross income for tax purposes. The Committee has

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not given us clearance on this section. In fact, they called upon Treasury (whose representatives were present at the hearing) after our appearance to provide justification for providing this benefit to other civilian organizations which already have it--and especially to the Foreign Service. We have collaborated with the Legislative Counsel in drafting a statement for Treasury's use in responding to that request. When their response has been forwarded to the Committee, it is our plan to contact the Committee staff regarding an early appearance to complete our presentation on this point. Because of State Department's obvious interest in the outcome of the Committee's action, we have kept them informed of developments on this point and checked our draft statement for Treasury's use with the Department's representative designated to appear with us before Subcommittee No. 1.

We have made several special studies in response to specific requests from the Committee for information or in anticipation of such requests. These included an analysis of the 701 cases by age, grade, and length of Government and Agency service; an analysis of disability retirements; a comparison of payroll and annuity costs assuming employees might be retained for specified periods of time in order to meet longer service requirements for involuntary retirement; and an analysis of involuntary separations from the Clandestine Services of a type which might have qualified the individual for involuntary retirement under the proposed system.

Finally, we are working with the Legislative Counsel in checking the transcripts of the hearings held to date for technical accuracy, security requirements for deletions, and general editing and in drafting (as a requested service to the Subcommittee staff) the Subcommittee's report to the Armed Services Committee on this bill. In preparation for the resumption of hearings, we are up-dating General Carter's briefing book and refining our supporting materials for the sections still to be reviewed. We are also reviewing the remainder of the bill in light of our experiences with the Subcommittee to date to identify any provisions which we now believe might raise questions and to be prepared to answer them.

2. Manpower and Ceiling Problems

The recent directives regarding staffing limitations have required intensive study of our projected recruitment requirements and planning for possible curtailment or redirection of our recruitment efforts. The need for the earliest possible decisions in this area is obvious so that our recruitment officers can be accurately informed as to the requirements which they should be trying to fill. In anticipation of the need for quick and accurate reports of on-duty strength at least during the period of interim staffing restrictions, we have developed with the Comptroller a system for reporting on a weekly basis (with reports each Monday morning to reflect actions during the preceding week) the exact on-duty strength of Agency components at the Office level in the DD/I, DD/S, and DD/S&T areas at an Area Division level in the DD/P area.

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We shall report separately to you on the results of our review of our own staffing and budget problems. However, one step which has already been taken in an effort to operate the IAS on a substantially reduced budget has been to accelerate the point at which an IAS-assignee is transferred for payroll purposes to her regular job assignment. In the past, this has lagged behind the actual transfer of the employee; at present, the effective date is being set as soon as the employee is fully cleared and available for assignment. We are also studying other areas of possible savings, including modest deferment of EOD dates for provisionally cleared clerical personnel and possible acceleration of processing of those who enter on duty with the full field investigation already completed.

3. CSC Directive Prohibiting Recruitment at Segregated Educational Institutions

The Civil Service Commission has issued, at the request of the President's Committee on Equal Employment Opportunity, a directive to Federal agencies to discontinue recruiting and training relationships with non-Government activities that operate on a discriminatory basis. The new recruitment instructions require that agencies immediately stop any referral or recruiting arrangements that they may have with private employment agencies or business, secretarial, trade, and similar private schools that operate on a racially discriminatory or segregated basis. Agencies are permitted to accept applications from students and former students of all schools but they are not permitted to make recruiting visits to segregated sources or to arrange for or accept referrals from these sources. We do not anticipate any particular difficulty in responding to this directive; however, the Chief, Personnel Recruitment Division is reviewing our recruitment sources to be sure that we will not have any problems in this regard.

4. Credit Union Delinquent Accounts

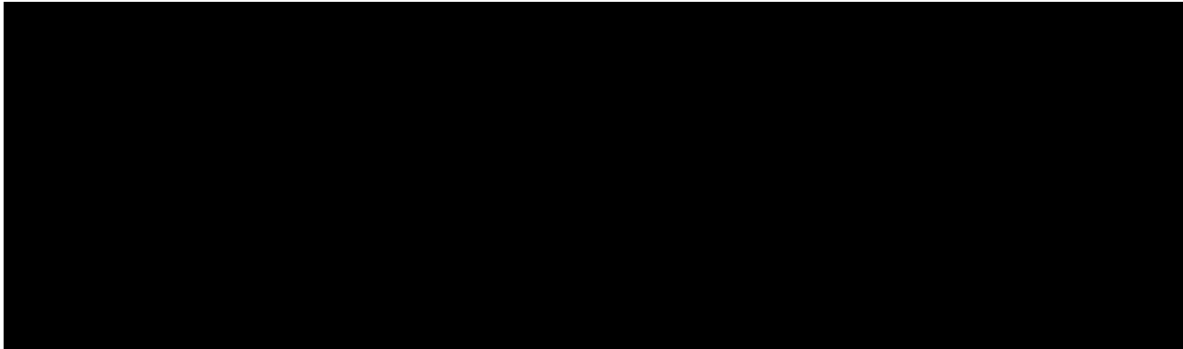
New procedures have been developed for following up on delinquent Credit Union accounts. Delinquent accounts will, as in the past, be brought to the attention of the Board of Directors. However, those individuals whose accounts are considered to be grossly delinquent will be notified of the intention of the Credit Union to bring their delinquency to the official attention of the Agency. The employee will be given a 15-day period in which to make satisfactory arrangements for putting his account on an acceptable basis and, if he does not do so, the Credit Union will send formal notice regarding his account to the Agency. Such notices will be treated in the same way as other indebtedness complaints received from external sources.

5. Car Pool Locator System

The equipment for the car pool locator system for employees in the headquarters building has been installed. An employee bulletin has been prepared to announce the system and its operation.

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7. Revision of the Federal Personnel Manual

The Civil Service Commission has announced that the revised Federal Personnel Manual will soon be ready for distribution. They have been in the process of preparing this new edition for the past year or so. Because the system is entirely new, the Commission is holding training conferences on its use and the Agency will be allotted two slots at one of these conferences. We are working with the Office of Training in designating Agency representatives with a view to providing comparable instruction for Agency personnel who are responsible for maintaining these manuals.

8. PAMA Insurance

As of 1 August, almost 1,300 applications had been received for PAMA insurance and additional applications are expected from the field.

9. Dental Insurance Plan

Some 900 favorable responses have been received as a result of the notice asking employees to indicate their possible interest in a dental insurance plan.

10. Display in Gifts and Awards in Agency Custody

[redacted] of the Agency's Fine Arts Committee has been in touch with us regarding the possible display of gifts and awards received by Agency employees. We have arranged to review with him the types of articles now in our custody so that he can report back to the Committee on this matter. (If these articles are put on display, they will be placed in locked cases.)

11. Fund Drive for National Cultural Center

Contributions are continuing to come in at a slow rate. The total as of 5 August was \$2,953.

12. Special Interest Applicant [redacted]

We have previously received an inquiry from [redacted] secretary to the President, about this applicant. As a result of her inquiry, [redacted] has been interviewed for possible employment when he completes a six-months' military program and security processing has been initiated.

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13. Special Interest Applicant [REDACTED]

[REDACTED] was referred to us by Mr. W. Clyde Dunn of the State Department and also indicated that he had been a college classmate of Mr. McGone. [REDACTED] completed applicant file did not suggest any suitable assignment and he has been sent a reject letter.

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14. Quality Step Increases

As of 2 August, a total of 73 quality step increases had been approved. One of these involved a recommendation which had previously been returned to the nominating office (FED) for further justification.

/s/ Emmett D. Echols

Emmett D. Echols
Director of Personnel

Distribution:

- 0 & 1 - Addressee
- 1 - D/Pers Subj File
- 1 - D/Pers Chrono File

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OD/Pers, [REDACTED] (9 August 1963)